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PET 14 LIBYA

Department of State TELEGRAM

SECRET 544

EXCISE

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ACTION SS-45

INFO OCT-01 /046 W

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P 121544Z JAN 71
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC PRIORITY 7277

S E C R E T SECTION 1 OF 2 TRIPOLI 0063

EXDIS

C O R R E C T E D C O P Y (TEXT)

DEPARTMENT PASS AS DESIRED.

SUBJECT : PETROLEUM CRISIS

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY CJ DATE 6/18/81
PORTIONS DENIED AS INDICATED

1. SUMMARY:

[redacted]

END SUMMARY.

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2. EVENTS SINCE JANUARY 1 INDICATE THAT OIL PRODUCING COUNTRIES OF PERSIAN GULF AND MEDITERRANEAN (WITH VENEZUELA PROBABLY ALIGNED WITH LATTER GROUP) HAVE SUCCESSFULLY COORDINATED PROGRAM WITHIN OPEC FOR WHIPSAWING EUROPEAN CONSUMERS -- WHO ARE REAL TARGET OF THIS CAMPAIGN -- INTO ACCEPTING STAGGERING NEW INCREASE IN COST OF THEIR PETROLEUM ENERGY. EXCEPT FOR ALGERIA AND PROBABLY LIBYA, MANNER IN WHICH ADDITIONAL REVENUE IS TO BE EXTRACTED FROM CONSUMERS -- WHETHER THROUGH COMPANIES OR THROUGH DIRECT PRODUCER-CONSUMER AGREEMENTS -- PROBABLY IS OF SECONDARY IMPORTANCE TO PRODUCING COUNTRIES, AS IT ALSO SHOULD BE TO U.S. AND TO CONSUMERS. PRIMARY U.S. CONCERN SHOULD BE TO PREVENT INCREASE IN COST OF ENERGY FROM SLOWING ECONOMIC GROWTH OF INDUSTRIALIZED COUNTRIES TO POLITICALLY UNACCEPTABLE LEVEL -- WITH CONSEQUENCES THAT SUCH RESTRICTION WOULD IMPLY FOR STABILITY AND SECURITY OF INTERDEPENDENT OECD MEMBERS. ON BASIS OF LARGE NEW DEMAND FOR INCREASE IN DIRECT PAYMENTS OF ABOUT 50 CENTS PER BARREL AND ALGERIA'S PARTIAL EMBARGO ON EXPORTS TO FRANCE IN APPARENT SUPPORT OF ITS OWN DEMANDS, WE CONCLUDE THAT UK ESTIMATE OF ONE-THIRD INCREASE IN COST OF OIL FOR WESTERN EUROPE (STATE 3777) FROM THIS ROUND IS REALISTIC IF NOT CONSERVATIVE -- AND THERE IS NO GUARANTEE THAT THIS ROUND WOULD BRING RESPITE, IN FACT OPPOSITE SEEMS MORE LIKELY. WITH RESPECT TO ALGERIA, GOA HAS CLEARLY STATED ITS INTENT TO SECURE NATIONAL CONTROL OVER OIL INDUSTRY, AND THERE ARE INDICATIONS THAT LIBYA HAS ACCELERATED ITS OWN TIMETABLE TO ADMIT POSSIBILITY OF GAINING EFFECTIVE CONTROL OVER INDUSTRY NOW THROUGH PARTICIPATION AS ALTERNATIVE TO COMPANIES' FULL ACCEPTANCE OF FINANCIAL DEMANDS.

[redacted] B5

HOWEVER, FACT THAT INTERNATIONAL OIL INDUSTRY'S TRADITIONAL ROLE OF SUPPLY COORDINATOR AND BUFFER BETWEEN PRODUCERS AND CONSUMERS HAS BEEN SEVERELY DIMINISHED SUGGESTS THAT GOVERNMENTS IN BOTH GROUPS WILL HAVE GREATER ROLE TO PLAY IN OIL TRADE THAN IN PAST. [redacted] B1, B5

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[redacted]

4. LINES OF ACTION I PROPOSE ARE NOT NEW AND OFTEN HAVE BEEN SAID BY EXPORTS TO BE IMPOSSIBLE TO IMPLEMENT, AND IT MAY ALREADY BE TOO LATE TO RESOLVE CURRENT ROUND OF THIS ECONOMIC CONFLICT ON MUTUALLY AGREEABLE TERMS. HOWEVER, I PERCEIVE NO BETTER ALTERNATIVE. I THEREFORE PROPOSE THE FOLLOWING:

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ACTION SS-46

INFO OCT-01 /046 W

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P 121544Z JAN 71
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC PRIORITY 7278

S E C R E T SECTION 2 OF 2 TRIPOLI 063

EXDIS

C O R R E C T E D C O P Y (PARAS 7 & 8)

[redacted] B1, B5

I APPPECIATE, EVEN FROM THIS VANTAGE POINT, FORMIDABLE DIFFICULTIES IN AGREEING UPON AND CARRYING OUT SUCH PROGRAM WOULD PRESENT [redacted] B5

[redacted] B1, B5

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[redacted]

B1, 1 B5

[redacted]

B1, B5

8. THERE ALSO MAY BE ADDITIONAL FACTOR IN CURRENT SITUATION. [redacted]

B1, B4

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[redacted]

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